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RPENM Albuquerque Office

4120 Cutler Ave NE
Albuquerque, NM 87110
(505) 280-8459
rpenm@rpenm.org

President's Message

Michael J. Francis

Hello from sunny Las Cruces. The sun is shining but it is still cold for us down here. I am not complaining, I was in Northern NM last week and it was really windy and cold. So much for the weather. The 60-day session of the legislature has started and our leaders are working on the business of the people. So far, we are in good shape with no bills directly harming retirees in the works and none that would attempt once again to reorganize PERA and their board. We will stay on top of any bills introduced that effect retirees and keep you informed by email. I have heard that there may be another return to work bill in the works, but we have no particulars at this time.

The RPE will be standing strong with Retiree Health care to gain additional funding in order to keep the NMRCHA solvent in the future. Once bill(s) are introduced, we will send out emails asking for you to contact your legislators and ask them to pass this bill. This will help to keep your health care costs down and provide this benefit to future retirees.

We are working with PERA and I know there is a message from their Executive Director in this newsletter. Basically, anticipate getting a .5% COLA this year. If we are lucky, it may be a little higher. The good news is that it is a COLA and not a 13th check.

We are starting work now to ask the legislature for a supplemental appropriation to shore up PERA and increase the solvency of the fund. This would be a good use of the extra oil and gas funds the State is enjoying. By starting now we can lay the foundation for this to be introduced next year in the short session.

Please don't forget that this is an RPENM election year and we need you to send in your letters of interest to run for the RPE Board. New RPENM board of directors, will be installed at the spring meeting, which we hope will be an in person meeting. I am looking forward to that.

Stay safe and watch for our updates on the legislature by email and on the website.

A Message from PERA

On behalf of PERA, I would like to wish you all a very Happy New Year! In 2022, PERA celebrated our 75th Anniversary and paid out approximately \$1.37 billion to 44,115 retirees and their beneficiaries. We currently have 46,901 active members and 335 participating employers and have come a long way since 1947.

We are now entering the halfway point of implementing Senate Bill 72 (SB72) that was passed during the 2020 Legislative Session. A quick recap of SB72 – the Cost-of-Living Adjustment (COLA) received by retirees was replaced with a 2% non-compounding 13th check payment for three years for most retired members. Retired members who were age 75 or older as of 6/30/2020, who earn less than \$25,000 and had at least 25 years of service, and disability retirees who earn less than \$25,000 continued to receive a 2.5% compounding COLA during that same time frame. The final year of the 13th check payment was 2022 and 28,669 members received those payments. The 2.5% COLA was received by 12,020 retired members.

The other half of SB72 contained a 4% increase in contributions, split evenly between employees and employers, phased in over a 6-year period. In the first two years of this increase, PERA received approximately \$32.4 million in additional contributions to the fund. These increases are recurring and will continue to increase through FY26.

Looking forward to 2023, PERA will transition to a profit share COLA model. The compounding COLA will resume however the annual COLA increase will be based on our funded ratio and investment return of the prior year. The funded ratio reflects the ratio between the available assets on hand and the liabilities that we have incurred. Our funded ratio as of 6/30/22 is 70%. This past year was tough for investors and PERA's return was -1.67%. While a down year is never good news, the median pension fund had returns of -9.1%. In the year prior PERA returned just over 24%, our highest ever.

I mention this point because our returns will be volatile; however, our returns are "smoothed" over a 4-year period. In a public pension system, asset

smoothing recognizes market gains and losses gradually over several years. This means that future COLA's will benefit from our 24% return but will also be affected by our recent negative return. The new model guarantees a minimum 0.5% (half-percent) COLA and a maximum of 3% going forward. Once PERA reaches 100% funded status, the maximum COLA will increase to 5%.

I anticipate a final COLA number from our actuaries by the end of January. Once that number is finalized, we will share with our membership, and it will be included with your July benefit payment. I want to assure you all that PERA is in a healthy position and the reforms made in SB72 only improves our solvency going forward.

Executive Director Greg Trujillo

RPENM Local Chapters

RPENM has a long history of supporting Local Chapters throughout New Mexico. Local Chapters are an important part of influencing legislators, building communities, and supporting each other. Please consider joining, revitalizing or starting a Local Chapter. Below is the contact information for some of the active Local Chapters. If you have an active Local Chapter that is not included or want help starting a Local Chapter, please contact RPENM Executive Director, Miguel Gómez at 505-280-8459 or via email at rpenm@rpenm.org.

Albuquerque/Bernalillo County/ Sandoval County/Valencia County

John Rivers

jrivers118@gmail.com

Las Cruces

Ken Erhard

575-639-0405

ke187@comcast.net

Ratón

Lee Caruana

575-445-9550

leecaruana13@gmail.com

RHCA Report

Doug Crandall

Although most PERA retirees are aware of both the benefits and potential fragility of their pension, an equally important factor in a financially secure retirement is health care.

Prior to 1990, PERA retirees who were not yet 65 and eligible for Medicare had no guaranteed health care access. Usually, they had to rely on their former employer continuing to provide health insurance, get a job that did provide health benefits, or just do without and hope for the best.

Since 1990, retirees have had access to subsidized health care for both pre Medicare and Medicare, administered by the New Mexico Retiree Health Care Authority (RHCA). Those benefits were originally granted to all retirees, but beginning two years ago, a non public safety retiree had to be 55 years old before being eligible for a subsidy, though non-subsidized benefits are still available.

An example of the cost difference between a PERA member who retired with 25 years of service and health care on the open market is stark. A 60 year old retiree covered by the RHCA would pay approximately \$325 a month from a premier HMO plan, which is essentially considered a gold plan. On the open market, that same plan could cost anywhere between \$600 and more than \$1100 per month, depending upon the specific coverage and what part of the state the individual resides. Deductibles, co-pays and out of pocket maximum expenses are also greater for plans in the private market. In addition, prescription drugs are generally not even covered in those plans.

Unlike PERA, neither the benefits nor costs of RHCA are fixed. Each year the RHCA Board must adjust the plans being offered, invariably raising rates and/or increasing deductibles, co-pays, etc. Employee and employer contributions, which may exceed 25% for most PERA plans, is fixed at 3% for the Retiree Health Care Authority. In the long run, 3% is not enough.

During this year's legislative session, RHCA has enlisted Senate Pro-Tem Mimi Stewart and State Representative Natalie Figureoa to introduce

legislation increasing the employee/employer rate from 3% to 3.5%. The additional .5% will be broken down into a .17% increase for each employee and .33% for employers.

In addition, RHCA is asking for a one time appropriation of \$26 million to help shore up the fund by reimbursing costs incurred as a result of Covid-19 and other non-funded mandates imposed on the authority.

Although RHCA has managed to maintain and increase its solvency and the fund now exceeds one billion Dollars, this small employee and employer increase is vital to the goal of guaranteeing affordable health care for all retirees. Even at \$1 billion, the plan is only 33% funded. The small increase being proposed will raise the funding to over 50%.

For several years, legislation affecting retirees has focused on PERA. Although RPE did not win every battle, the efforts of this membership strengthened our pensions and protected our voice. Now it is time to do the same for the Retiree Health Care Authority. Please contact your legislature and ask them to support this legislation!



Please Provide Your Email

Our strength is our members and we continue to move to a process where all communication will be via email and/or through the RPENM website, rather than mailing traditional newsletters.

If we do not have your email address, please send us an email at rpenm@rpenm.org

Please provide your name and current email address.

Retired Public Employees of New Mexico

4120 Cutler Ave NE
Albuquerque, NM 87110

Phone: 505-280-8459

E-mail: rpenm@rpenm.org

www: www.rpenm.org



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